

**Draft NEPRA Guidelines (Methodology and Process) for
Determination of Supply of Power Tariff for Supplier of Last
Resort (SoLR)**

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In exercise of the powers conferred by Section 7(2)(i) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, the Act read with other applicable documents, the National Electric Power Regulatory Authority (the Authority/ NEPRA), hereby issues the following guidelines to lay down the Methodology and Process for determination and approval of Supply of Power Tariff for supplier of last resort licensee.

PART 1

1. INTRODUCTION

- 1.1. National Electric Power Regulatory Authority (the “**Authority**” / “**NEPRA**”) was established under the Regulation of Generation, Transmission and Distribution of Electric Power Act, (the “**Act**”) and one of its core functions is to determine, modify and revise tariff(s) for provision of electric power services. Section 31 of the Act read with other applicable documents provides the guiding principles and parameters for determination, revision and modification of a tariff. As per Section 31 of NEPRA Act, the Authority shall, in the determination, modification or revision of rates, charges and terms and conditions for the provision of electric power services, be guided by the national electricity policy, the national electricity plan and such guidelines as may be issued by the Federal Government in order to give effect to the national electricity policy and national electricity plan.
- 1.2. The amendments in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 was passed by the National Assembly on 15th March, 2018, which was published in the official Gazette on 30th April 2018 (the “**Amendment Act**”), resulting in new licensed activities in the power sector. One of the fundamental changes as per the amendment Act is the introduction of a competitive subsector for sales to consumers (retail) by segregating the supply function as a separate license from the distribution license.
- 1.3. As per the Amended Act, function of sale of electric power traditionally being performed by the Distribution Licensees has been amended under Section 21(2)(a), whereby ‘sale’ of electric power has been removed from the scope of a Distribution Licensee and transferred to Supply Licensee. As per Section 23F (2)(b), the Electric Power Supplier possess the right to make sales of electric power to consumers within its licensed territory on a non-discriminatory basis to all the consumers who meet the eligibility criteria laid down by the Authority.
- 1.4. Consequent to the aforementioned amendments in the Act, the Authority determined separate tariff for Distribution and for Supply functions of XWDISCOs. This also necessitated the requirement for bifurcation of existing Guidelines for determination of consumer end tariff (Methodology and Process), 2015, into Distribution Tariff Guidelines and Supply of Power Tariff Guidelines (these Guidelines).

- 1.5. For the purpose of bifurcation of costs into Distribution and Supply of power functions, XWDISCOs have generally allocated the cost related to power purchase price, power acquisition plan, billing, collection and customer service and other related to their Supply of power function and the remaining costs, which primarily relate to their network business, as part of Distribution of power function. Costs of common services of XWDISCOs, are being allocated proportionately to Distribution and Supply of power Function based on the ratio of their operation and maintenance (O&M) costs. Accordingly, for the purpose of revenue requirement and tariff determinations for the distribution and supply functions, the Authority considered the bifurcation of costs as provided by DISCOs.
- 1.6. As per the existing NEPRA procedure and regulations for any tariff determination, the SoLR licensee has to file a petition for determination of its supply tariff with NEPRA. Upon admission of such petitions by the Authority, the salient features of the petitions are published in the national newspapers and NEPRA website inviting comments/ intervention requests from any interested persons/ stakeholders. Subsequently, a public hearing is held for which notices are also published in the national newspapers and NEPRA website. Any interested person can register in advance to raise the observations or objections consequent to the notice of admission as well as to participate in the hearing process. After considering the submissions of the petitioner, commentators and interveners if any, evidence produced, arguments raised by respective parties, the revenue requirement and tariff determinations are issued by the Authority.
- 1.7. These Guidelines are being issued to lay down the Methodology & Process for determination of power supply tariff. It is aimed to provide guidance to the relevant Supplier of last resort licensees with respect to its supply tariff determination and the documents / information required to be submitted with the petition, as well as the periodic adjustment mechanisms.

PART 2

2. SHORT TITLE AND COMMENCEMENT:

- 2.1. These guidelines shall be called NEPRA Determination of Supply of Power Tariff (Methodology & Process) Guidelines, 2024.
- 2.2. These Guidelines shall be applicable for determination of tariffs for Supplier of Last Resort (SoLR) licensees.
- 2.3. These Guidelines shall be applicable with immediate effect.

PART 3

3. DEFINITIONS:

- 3.1. In these guidelines, unless there is anything repugnant in the subject or context,
 - (a) “Act” means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 as amended from time to time;
 - (b) “Authority” means the National Electric Power Regulatory Authority (NEPRA);
 - (c) “Applicable documents” means the rules, regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, or agreements issued or approved under the Act;
 - (d) “Base Year” means the year on which the annual or multiyear tariff projection is being made. It may be a historical financial year, for which the provisional /actual results/ accounts are available. It may be a combination of actual results and projected results for the same financial year or it may be a pure projection of a future financial year.
 - (e) ““Applicable Consumer-end Tariff” means a supply tariff notified by the Federal Government, to be charged to the end-consumer for recovery of the Supplier of last resort Revenue Requirements, after accounting for the Federal Government direct / indirect subsidies for targeted consumer categories (if any), Inter SOLR tariff rationalization, and other subsidies based upon economic and social policy of the Government.
 - (f) “NEPRA determined Consumer-end Tariff” means a supply tariff determined by NEPRA for the recovery of the Supplier of last resort approved Revenue Requirements.

- (g) “Commercial Code” or Market Commercial Code means the commercial code prepared and maintained by the market operator pursuant to the relevant sections of the Act and approved by the Authority, from time to time;
- (h) “Competitive supplier” means a person licensed under NEPRA Act to supply electric power to consumers located in the territory specified in its licence and qualify as Bulk Power Consumers (BPCs);
- (i) “Distribution Margin” means the revenue requirement of a Distribution licensee comprising of operations & maintenance cost, return on regulatory asset base, depreciation, corporate tax, and other regulatory costs including other income, prior year adjustments etc., as determined by the Authority.
- (j) “electric power supplier” means electric power supplier licensed by the Authority under the Act and shall include a competitive supplier and a supplier of last resort;
- (k) “Independent Auction Administrator” or “IAA” means any entity registered with the Authority to provide the services of organization and administration of competitive auctions for electric power procurement by electric power suppliers;
- (l) “IAA Fee” means the fee determined by NEPRA for the Independent Auction Administrator;
- (m) “Market Operator” means the person by the Authority licensed as market operator under the Act;
- (n) “Market Operator Fee” means the fee determined by NEPRA for the Market operator;
- (o) "Market participant" means any person who is registered with the market operator through a market participation agreement in accordance with the Commercial Code;
- (p) “Petition” means a petition made to the Authority for the determination, modification or revision of rates, charges and terms and conditions for the provision of electric power services;
- (q) “Petitioner” means the SoLR, which files a petition for determination, modification and revision of its supply revenue requirement, tariff, rates, charges and other terms & conditions.
- (r) “Power Acquisition Program” means the power acquisition program of a supplier of last resort approved by the Authority pursuant to NEPRA Power Procurement Regulations and other applicable documents;

- (s) “Power Purchase Price” or “PPP” means the reference price of power purchases, network costs and services fees required by a SoLR to supply consumers, including: power procurement (generation cost, energy and capacity), use of transmission system cost, use of distribution system cost, Market Operator Fee, System Operator Fee (if any), and other tariffs / fees/ charges determined by NEPRA, calculated for each supplier of last resort in accordance with transfer price mechanism approved by NEPRA as described in these Guidelines. In addition to allocation of costs of contracts signed on behalf of XWDISCOs and administered by CPPA-G (the pooled basket price), Power procurement cost of a SoLR includes also its bilateral contracts [and payment to consumers under net metering arrangements) *accounted in the individual basket of corresponding SoLR*);
- (t) “Registrar” means, a person designated by the Authority to register and record receipt of communications and petitions filed with the Authority and to perform such duties as may be assigned by the Authority from time to time;
- (u) “Supplier of last resort (SoLR)” means a person who holds an electric power supply licence for the service territory specified in its licence and is obligated to supply electric power to all consumers located in that service territory at the rates determined by the Authority, and is also obligated to provide electric power supply to the consumers, located within its service territory, of any competitive supplier who defaults on its obligations of electric power supply;
- (v) “Revenue Requirement” means revenue requirement of the supplier of last resort, which shall include its Power Purchase Price allocated to the Supplier of Last Resort in accordance with the transfer price mechanism approved by NEPRA, the distribution margin of distribution licensee and the O&M cost, return on rate base if any, depreciation if any, taxes, other regulatory costs including other income, prior year adjustment (PYA) etc., as determined or approved by the Authority for the Supply of Power Function.
- (w) “Special Purpose Agent” after the commercial operation of the market starts, means a person registered by NEPRA under the applicable documents to perform the function of administration including settlement and payment of legacy contracts as an agent of DISCOs in their role as Supplier of Last Resort;
- (x) “System Operator” means a person licensed under the Act to provide system operation and dispatch services;
- (y) “System Operator Fee” means the fee determined by the Authority for the System Operator;

- (z) “Test Year” means the first year of tariff control period in multiyear tariff regime.
 - (aa) “Distribution Use of System charges (DUoSC)” means the charges made or levied or to be made or levied by a distribution licensee for the use of their respective systems for the purposes of the distribution services as determined by the Authority and notified from time to time.
- 3.2. Words and expressions used but not defined in these guidelines shall have the same meaning as in the Act and Rules, Regulations and other applicable documents.

PART 4

4. MINIMUM FILING REQUIREMENTS FOR A TARIFF PETITION

- 4.1. This part provides the minimum filing requirements for the SoLR licensee for determination of its Revenue requirement and consequently the consumer-supply tariff. The petition filed hereunder shall be accompanied with such information as required under these Guidelines & information stipulated in the applicable documents and as required by the Authority.
- 4.2. Any petition, seeking determination of SoLR revenue requirement and the Consumer supply tariff along-with subsequent adjustments filed before NEPRA, shall be signed/sealed by the petitioner or its authorized representative and each page of the petition as well as annexure are to be initialed by the person filing the petition.
- 4.3. The petition shall be made in such manner and form as specified in the forms attached to these Guidelines. Provided that NEPRA may, prior to the period when the petition was submitted, amend any such Forms as and when required.
- 4.4. The petition shall be accompanied with copy of necessary authorization in favor of the signatory by the board of directors of the petitioner.
- 4.5. The information incorporated in the petition shall be accurate and complete in all respects. The affidavit/ certification filed, as to correctness of the data in the petition, shall also be sealed/countersigned by the person authorized to take oaths.
- 4.6. In case of any misrepresentation or incorrect information provided by the petitioner, the Petitioner shall be responsible for the consequences arising out of any misstatement/misrepresentation under NEPRA Act, its Rules, Regulations and other applicable documents.
- 4.7. Beside the information required under the NEPRA Tariff (Standards & Procedure) Rules 1998 (The Rules 1998), the information prescribed herein as per forms attached with these Guidelines shall also be provided by the SOLR Licensees along-with the petition. NEPRA may

amend any such form as and when required, provided that modified forms will not apply to petitions already submitted. Provided further that the SOLR licensee shall be obligated to seek prior approval of its Power Acquisition program in accordance with the schedule prescribed in these Guidelines. Regarding Approval of Power Purchase Price, CPPA-G shall submit Power Purchase Price (PPP) forecast Report (the PPP Report), updated every fiscal year (FY), after accounting for upcoming new contracts / additions in generation, changes in demand pattern, and other variables like exchange rate parity, fuel prices etc., for approval of the Authority, as per the schedule prescribed in these guidelines. The existing PPP would remain applicable until a new PPP is notified.

- 4.8. NEPRA may decline admission of the Petition for Supply of Power tariff, upon failure of the SOLR licensee to seek prior approval of any such documents from NEPRA or failure to provide any of the given forms as prescribed herein.
- 4.9. The checklist to the completeness of all requisite information shall be ensured by the office of Registrar while receiving the tariff petitions. Notwithstanding provision of the information being specified through these Guidelines, the Authority may call for any other information to be filed and the admission of the petition could be refused by the Authority owing to non-filing of the requisite information. Here it is pertinent to mention that since the Power Acquisition Program and Power Purchase Price (*other than Distribution Cost*) would have already been approved by NEPRA through separate proceedings, prior to filing of tariff petition, therefore, it is the responsibility of the Petitioner to ensure inclusion of its approved Power Acquisition program and Power Purchase Price in its petition for the purpose of determination of its revenue requirement.
- 4.10. Each SOLR licensee shall submit the petition with proper justification/documentary evidence and along-with Forms attached with these Guidelines.
- 4.11. The petition submitted by the SoLR licensee shall be accompanied by all the documents and information as established in these Guidelines, or in the relevant applicable documents or such other information required by NEPRA, including in particular the following information:
 - (a) The Power Acquisition Program approved by NEPRA. The Power Acquisition Program shall be prepared in accordance to the Power Procurement Regulations and submitted for approval prior to the petition for determination of the tariff as per the timelines provided in these Guidelines.
 - (b) The Power purchase price (PPP) approved by NEPRA. CPPA as power procurement agent on behalf of XWDISCOs and as mentioned under these guidelines, shall file a consolidated Power Purchase Price (PPP) Report (*excluding Distribution costs*) for approval of the

Authority, and also including therein the share of K-Electric from National Grid, and the impact of bilateral contracts of XWDISCOs

- (c) Break-up of proposed revenue requirement in terms of Power Purchase Price and Operations & Maintenance cost, return on rate base if applicable, depreciation if applicable, corporate taxes, other regulatory costs including other income, PYA etc., for running Supply business.
- (d) The details of pass-through items, if any.
- (e) Detail workings of PYAs
- (f) Company statistics for its supplier business;
- (g) The justifications for each of the costs recorded in the prescribed formats.
- (h) Category wise No. of Consumers, Sales, MDI and load factors, especially load factors for those categories where two part tariff is proposed or applicable.
- (i) Recovery details of the previously allowed revenue requirement as per the applicable consumer end tariff for each consumer category, as indexed and adjusted from time to time;
- (j) Working of the proposed recovery of the proposed revenue requirement, based upon existing structure of tariff for each consumer category or alternate proposed tariff structure for each consumer category, supported by the detailed analysis;
- (k) Voltage wise Cost of Service calculations for each category of consumers
- (l) Proposed Schedule of Tariff for recovery of proposed SOLR Revenue Requirement based on cost of service;
- (m) Complete workings for each cost head claimed under PYA, if applicable.
- (n) Actual Peak/Off peak hour along-with proposed tariff design.
- (o) Proposed Tariff terms & Conditions.
- (p) Asset register, identifying the total assets of the company (break-up of each class of asset) and its liabilities, with clear break-up of consumer financed assets (if any).
- (q) Detail of liabilities in terms of consumer security deposits & Receipt against deposit works (if any), and available resources against such liabilities in terms of cash/ bank balances.
- (r) Detail of Late Payment charges billed/recovered from consumers
- (s) Detail supplemental charges billed by CPPA-G/ and/or Generation companies, from which the SoLR buys bilaterally, if any;
- (t) Compliance statement with the directions passed by NEPRA from time to time.

PART 5

5. FORMULAE AND PRINCIPLES FOR DETERMINING REVENUE REQUIREMENT AND NEPRA DETERMINED CONSUMER-END TARIFF

- 5.1. This part of the Guidelines deals with the formulae and principles for determination of revenue requirements and NEPRA determined Consumer-end tariff for the SOLR licensee.
- 5.2. Tariffs should allow licensee the recovery of any and all cost prudently incurred to meet the demonstrated needs of its customers.
- 5.3. Tariffs should generally be calculated by including a depreciation charge and a rate of return on the capital investment of each licensee, if applicable, commensurate to that earned by other investments of comparable risk;
- 5.4. Tariffs should allow licensees a rate of return which promotes continued reasonable investment in equipment and facilities for improved and efficient service;
- 5.5. Tariffs should include a mechanism to allow licensees a benefit from and penalties for failure to achieve the efficiencies in the cost of providing the service and the quality of service;
- 5.6. Different approaches will be used to determine each required block of cost. Determination of cost of each block shall be governed by the principle of prudence.
- 5.7. The determination of the revenue requirement for SOLR licensee is calculated adding its PPP, the rate asset base, cost of capital and depreciation, operation expenses, eligible taxes, other costs and prior year adjustments etc., with the following indicative formula;

$$RR_{SOLR} = PPP_{SOLR} + DM_{DL} + RB_{SOLR} * RORB_{SOLR} + D_{SOLR} + E_{SOLR} + T_{SOLR} \pm ORC_D \pm PYA$$

Where:

RR_{SOLR} is the supplier of last resort SOLR eligible revenue requirement

PPP_{SOLR} is the PPP of the SoLR as determined by the Authority

DM_{DL} is the relevant Distribution Licensee's Distribution Margin applicable for the SoLR

RB_{SOLR} is the eligible rate base

$RORB_{SOLR}$ is the SOLR eligible cost of capital

D_{SOLR} is the SOLR eligible depreciation expense

E_{SOLR} is the SOLR eligible expenses including but not limited to operation, maintenance and human resources etc.

T_{SOLR} is the SOLR eligible federal and provincial taxes (allowed as pass through)

ORC_{SoLR} is the SOLR other regulatory costs including other income etc.

PYA_{SoLR} is the SOLR Prior Year Adjustments including sales mix etc.

The PPP_{SoLR} is the Power Purchase Price of the Supplier of last resort as determined by the Authority, calculated based on the following formula:

$$PPP_{SoLR} = PP(EC) * Q_{(P)} + PP(CC) + TUOSC + MOF + SOF + IAAF .$$

Where:

PP (EC) is the energy charge part of PPP (*including bilateral contracts, if any*), allocated to SoLR, as per the transfer price mechanism.

Q_(P) is quantity purchased by the supplier of last resort (*including bilateral contracts, if any*)

PP (CC) is capacity charge part of PPP, (*including bilateral contracts, if any*) allocated to SoLR, as per the transfer price mechanism.

TUOSC is transmission use of system charges of the transmission licensee (s) as determined by the Authority and applicable to SoLR, as per the transfer price mechanism.

ISMOF is the integrated System and Market operator fee as determined by the Authority and applicable to SoLR, as per the transfer price mechanism.

IAAF is, when independent auctions are implemented for the SoLR, the Independent Auction Administrator fee as determined by NEPRA and applicable to SoLR, as per the transfer price mechanism.

Other tariffs/ fees/ charges determined by NEPRA may be added to the calculation as applicable to SoLR

- 5.8. Base year for the purpose of determining the SOLRs revenue requirement for an annual or multi-year tariff regime, may be a past, current or future financial year as defined in the definition section of these guidelines for the purpose of determining the SoLR Revenue Requirement.
- 5.9. The SOLR Licensee shall not earn profit on any pass-through cost.
- 5.10. The Revenue Requirement of the SOLR Licensee shall be calculated using the submitted data and information as per NEPRA's direction. The information provided along with the tariff petition should be complete for the determination of a revenue requirement & NEPRA determined consumer-end tariff, and any additional data and information may be obtained during revenue-requirement assessment phase. The Petitioner shall be responsible for the consequences arising out of any misstatement/ misrepresentation under NEPRA Act, its Rules, Regulations and other applicable documents,

- 5.11. Original / historical cost method shall be used for calculation of rate base, without accounting for impact of any revaluation.
- 5.12. Cost of capital may be different for each eligible SOLR licensee.
- 5.13. Any investments, for which prior approval of the Authority has not been obtained, may be termed as imprudent investments by the Authority and may not be included in the rate base for the purpose of determining the RR of SoLR licensee.
- 5.14. "Other regulatory cost" as indicated in the formulae shall not be a candidate for "pass-through" status, and would be subject to the principle of prudence.
- 5.15. Cost of incentive-based rewards or penalties may be included in the determination of the SOLRs revenue requirement.
- 5.16. In case of inconsistencies or any other significant questions, NEPRA has the authority to reject the requested Revenue Requirement in its entirety with the corresponding justification and require the re-submission of the requisite information to address issues identified that caused the rejection. NEPRA shall not be obligated to guarantee the recovery of the approved revenue requirement, rather the petitioner would be provided with the opportunity to recover the approved revenue requirement via the application of the NEPRA-determined tariff.
- 5.17. The approval of Power Acquisition Program shall be undertaken in separate regulatory proceedings, prior to submission of the Petition for determination of Revenue Requirement and Consumer end-tariff. The Power Acquisition Program shall be processed by NEPRA's CTBCM section and Licensing department.
- 5.18. Similarly, the Investment program of the SOLR, if any, shall also be got approved from the Authority through separate proceedings prior to filing of tariff petition and will be processed by NEPRA Technical department. The principles for revision of base cost and calculation/indexation of various cost components of the approved investment shall be clearly stipulated in the approved Investment Program determination, based on which NEPRA's Technical department would process for adjustment/ indexation of the allowed investment amounts.
- 5.19. NEPRA approved Investment Program shall form the basis for investments and shall contain the complete details thereof for the tariff control period. The SoLR licensee shall submit quarterly reports describing and justifying their actual investment for the purpose of monitoring subject to milestones submitted to and approved by NEPRA. The SoLR licensee shall submit details of the actual investments made during the year and the actual transfer of assets from Capital Work in Progress (CWIP) to Gross Fixed Assets in Operation for making adjustments to the relevant components of the Supply Margin.

- 5.20. Costs reported by the petitioner for a base year selected for the preparation of an annual /multi-year tariff shall be subject to audit and verification.
- 5.21. SOLR would be allowed with the opportunity to recover its allowed revenue requirement based on the schedule of tariff determined by the Authority.

COST CATEGORIES

- 5.22. A revenue cap approach will be used to determine the cost for running Supply business of SOLR. The data and information for this purpose will be provided by the SOLR in accordance with these Guidelines and other applicable documents.
- 5.23. The information provided by the respondents, interveners, commentators or otherwise available with NEPRA may also be considered during the course of tariff proceedings and timely rejoinders shall be provided by the SoLR licensee for making it part of the determination.
- 5.24. The cost components of running Supply Business will include, but will not be limited to, the rate of return on rate base if applicable, depreciation if applicable, and costs of operations, maintenance, repairs, salary, wages, benefits, travel, vehicles and other costs as described in these Guidelines. The SOLR will account for these costs in the following manner.

(i) Rate-of-return on rate base

- a) Average net fixed assets on original/ historical cost basis, construction/ capital work in progress (CWIP) (Excluding IDC) and deferred credits including share of deposit works valued at original cost and/or expected cost shall be used to determine the rate base of the SOLR licensee.
- b) The return on rate base may be Weighted Average Cost of Capital (WACC) that may be determined using the principles of comparative risk or any other method deemed appropriate by the Authority. For determining return of equity, the Authority may link the tenure of risk-free debt instrument with the control period of tariff plus a market premium determined by NEPRA. The equity component of the WACC may be calculated in accordance with Capital Asset Pricing Model (CAPM) or the principles of comparative risk. A minimum of twenty percent (20%) equity will be assumed when there is negative equity. Equity in excess of thirty percent (30%) may be considered as debt.

(ii) Depreciation Expense

Depreciation expense may be determined on the basis of Gross Fixed Assets in Operation on original/ historical cost basis, including new investment, in a manner consistent with the base year.

(iii) Operations, Maintenance and Repairs Expenses

Operations, maintenance and repair expenses shall be determined in accordance with the principle of "prudence" and will include the costs of scheduled maintenance of systems and commercial operations. Under multi-year tariff regime this cost will be adjusted up or down, during the control period in accordance with the mechanism attached with these guidelines. However, under annual tariff regime, the same would be assessed on yearly basis, on a criteria as deemed appropriate by the Authority. The said criteria and rationale would be described and justified in the petition and discussed in the tariff determination of the SoLR licensee.

(iv) Salary, Wages & Other Benefits

- a. The cost of salaries, wages and benefits may be determined in accordance with the principle of "prudence". In the case of government owned SoLR, known budgeted increases and automatic annual increments in salaries, wages and other benefits, as applicable, may be included in the revenue requirement of a public sector SOLR for such employees who have been hired on GoP scales. Trends in salaries, wages and benefits will be monitored continuously regardless of the selection of the base year. Specific procedures will be applied to the treatment of salaries, wages and benefits for new recruits.
- b. Post-retirement benefits may be allowed keeping in view the actual payments made by the SOLR or as per the provisions for post-retirement benefits appearing in its financial statements or as per the actuarial valuation report.
- c. The procedures for new recruits and post-retirement benefits, would be discussed and respective directions would be issued by NEPRA to the SOLR in this regard from time to time.

(v) Other expenses including Travel, Transportation and other Misc. Expenses

Other expenses including travel, transportation, and other miscellaneous (misc.) expenses may be determined in accordance with the principle of "prudence". All these expenses will be monitored to identify trends. The Petitioner shall provide complete break-up of costs requested as "Other/ misc. expenses".

(vi) Other Income

Other income may be considered to be a negative other cost. Other Income / Negative other cost may include, but not be limited to, amortization of deferred credit, meter and rental income, late-payment surcharges, profit on bank deposits, sale of scrap, income

from non-utility operations, and miscellaneous income etc. Other income will be monitored to identify trends.

(vii) Prior Year Adjustments

Under-recovery or over-recovery of the allowed Revenue Requirement based on approved regulatory targets during the previous year/ period shall be accounted for going forward during the current year under the head of prior year adjustment. This may also include impact of delayed notifications, Sales mix and impact of under/over investments if any, etc.

PART 6

6. SCHEDULE OF PETITION AND TARIFF DETERMINATION PROCESS

- 6.1. Subject to the applicable documents, the following schedule shall be adhered to by the SoLR Licensee for the submission and processing of Power Acquisition Program (PAP), Investment Program, Power Purchase Price, and subsequent tariff petition: -

Power Acquisition Program (PAP)

- 6.2. The NEPRA Licensing (Electric Power Suppliers) Regulations 2022, NEPRA (Electric Power Procurement) Regulations 2022 and other applicable documents require SoLR to prepare and submit the Power Acquisition Program annually on a rolling five-year basis. It is required to encompass inter alia a five-year plan detailing capacity obligations, energy and peak demands, existing contracted and commercially allocated capacity, and new procurement plans and others. The following schedule shall be adhered to by the SoLRs for submission and processing of its PAP.

#	Description	Date
1	Submission of PAP	August 01 st each year
2	Determination by NEPRA	October 30 th each year

Investment Program

The SoLR licensee is required to prepare and file its Investment Program, on annual or multi-year basis. The following schedule shall be adhered to and taken into consideration by the SoLR licensee for submission and processing of its Investment Program.

#	Description	Date
1	Submission of investment program with performance benchmarks, in accordance with the applicable documents.	September 1 st of each year
2	Approval of Investment Program and performance benchmarks by NEPRA. This step would include approval of the Investment Program of the SoLR. The approved Investment Program should be submitted with the tariff petition, including results of investments in the approved program already done or underway	November 30 th each year

Power Purchase Price (PPP)

- 6.3. Power Purchase price is major portion of the total revenue requirement of SOLR and consequently the NEPRA determined-end tariff. The Authority by adopting a forward looking approach, determines PPP references each year, keeping in view the ground realities. These references remain applicable unless new references are notified.
- 6.4. Although, variations in actual PPP vis a vis the projected references are actualized during the year through monthly fuel charges adjustment and quarterly adjustments as provided in **the NEPRA Act** and notified tariff determinations of SoLRs, however, such references require regular revision, to account for the impact of new capacity additions, devaluation of currency, exchange rate fluctuations and rupee dollar parity, change in fuel prices, variation in interest rates and CPI indexations. The objective of annual revision in PPP references is to minimize the impact of future monthly fuel charges adjustments & quarterly variations and to provide a more predictable tariff for the consumers as envisaged in Section 31(3) (i) of NEPRA Act which states that; *tariff should seek to provide stability and predictability for customers;*
- 6.5. While determining the NEPRA determined consumer end tariff, projected PPP for the year is incorporated in the tariff. Once the uniform tariff is notified by the Federal Government, the reference PPP as part of Tariff is charged from the consumers. Any variation in the determined & notified PPP vs the actual PPP for a particular month and quarter is adjusted on monthly and quarterly basis in line with the mechanism prescribed in the tariff determinations, these guidelines and as per provisions of NEPRA Act. The variations between projected fuel cost and generation mix vis a vis actual fuel cost and actual generation mix are adjusted through monthly fuel cost adjustment (FCA) mechanism. Similarly, variations in projected capacity charges, use of system charges (UoSC) of transmission (NTDC and PMLTC) and Market operation fee of CPPA-G, impact of losses on FCA and Variable O&M, vis a vis actual such costs are adjusted on quarterly basis through quarterly adjustment mechanism.

- 6.6. CPPA-G/SPA being agent of XWDISCOs shall submit the PPP Report for each year, in consultation with all relevant stakeholders by considering all the assumption and parameters and provide proper basis/justifications for the assumptions. While preparing the report CPPA-G/SPA shall also consider the Energy and Power Purchase Price of bilateral contracts of each SOLR as part of their individual basket. The following schedule shall be adhered by CPPA G/SPA for submission of PPP Report each year and processing by NEPRA.

#	Description	Date
1	Submission of the Power Purchase Price Report by CPPA-G / SPA for approval of the Authority	1st October each year
2	Determination by NEPRA	31st Dec. each year

- 6.7. SOLR's other than XWDISCOs, are required to file their PPP projections, at the time of filing of their supply of power tariff petition, based on prior approved PAP.

Tariff Petition Proceedings

- 6.8. The consumer end tariff is dependent upon various factors, including the determination of PPP forecast Report, distribution and transmission tariffs by NEPRA and approval of the plans and program pursuant to the applicable documents (including Power Acquisition Program and Investment Program). It is therefore of paramount importance that the approvals / determinations of these documents are aligned with the scheduling of the consumer end tariff determination by NEPRA to minimize disruptions and inefficiencies and to ensure predictability and certainty in the consumer end tariff.
- 6.9. The PPP would be subject to adjustment, as per actual, being pass through item.
- 6.10. The Petitioner shall submit its petitions for the determination of an annual or multi-year tariff along with the information as prescribed in these Guidelines
- 6.11. The Petitioner shall submit a complete financial analysis for the test year along with the information prescribed in these guidelines.
- 6.12. The Petitioner shall determine the financial impact on a class of customers that is affected by a change in the rate structure, change in the rate levels or a change in the annual or multi-year tariff terms and conditions.
- 6.13. Subject to the applicable documents, the Petitioner shall submit the required information as being prescribed through these Guidelines.

- 6.14. The SOLR shall develop, maintain and publicly make available, with prior approval of the Authority, an investment program for satisfying its service obligations and acquiring and selling its assets.
- 6.15. SoLR shall submit quarterly reports describing and justifying their actual investment for the purpose of monitoring subject to milestones submitted to and approved by NEPRA.
- 6.16. As per the existing procedure of tariff determination, the SoLR files a petition for determination of its Revenue Requirement / Consumer Tariff with NEPRA. Upon admission of such petitions by the Authority, the salient features of the petitions are published in the national newspapers inviting comments/ intervention requests from any interested persons/ stakeholders. Subsequently a public hearing is also held for which separate notices are also published in the national newspapers. Any interested person has the opportunity to raise the objections consequent to the notice of admission as well as to participate in the hearing process. After considering the submissions of the petitioners, commentators and interveners if any, evidence produced, arguments raised by respective parties, the tariff determinations are issued by the Authority.
- 6.17. The following schedule shall be adhered to by the SoLR for submission and processing of its Revenue Requirement / Consumer Tariff Petition.

Proceedings for Tariff Determination		
1	Submission of Tariff Petition along-with required documents (Complete in all respects) based on approved PPP.	January 31 st each year
2	Revise minimum filing requirements (if necessary)	As required from time to time
5	Admission of tariff petition	Within 15 days from date of submission
6	Issuance of decision of admission/minutes of meeting	Within 04 days from date of meeting considering admission
7	Publication of notice of admission / hearing	Within 03 days from date of admission
8	Receipt of replies, comments or intervention requests	Within 07 days of publication
9	Filing of rejoinder, if any,	Within 07 days of filing of reply, comments etc.
10	Framing of draft issues for hearing and approval by the Authority	Within 07 days of receipt of input from in-house NEPRA professionals and from other stakeholders
14	Conduct of hearing	Within 20 days from the date of approval of issues
15	Close of Evidence, information directions etc.	Within 10 days of the conduct of last hearing
16	Report on tariff petition	Within 30 days of close of evidence
17	Authority meeting to discuss the Report	Within 07 days of submission of the Report
18	Issuance of Minutes of Meeting of the Report	Within 04 days of meeting
19	Authority's draft determination based on the minutes of meeting of the Report	Within 15 days of minutes of meeting
20	Vetting by Legal Section	Within 05 days of circulation of draft determination
21	Signature and issuance of determination	Within 05 days of legal vetting
22	Intimation of determination to Federal Government for filing of uniform tariff application/notification	Within 03 days of signatures upon determination

- 6.18. Scheduling should minimize the time required to determine and notify the annual /or multi-year supply tariffs. NEPRA may schedule the time required to complete the determination within the four-month time period as per the NEPRA Act, which states that, time frame for determination by the Authority on tariff petition shall not exceed four months after the date of admission of the tariff petition. However, the said clause is only directory in nature, therefore, any additional time period required by the Authority to carry out its proper due diligence of the petition, shall not be admissible for any cost.
- 6.19. In case the approval of PAP, PPP and/or the Investment Program is delayed, the time lines for determination of tariff petition would change accordingly.

PART 7

7. SCHEDULE OF TARIFF

- 7.1. The Petitioner shall be granted an annual or multi-year tariff that provides an opportunity to the petitioner to recover the NEPRA approved revenue requirement as indicated in the Schedule of Tariff. The Schedule of Tariff will assure recovery of the revenue requirements based on determined regulatory targets.
- 7.2. The Schedule of Tariff either under annual or multi-year tariff may be based on a cost-of-service study and revisions thereto as required to meet objectives set by NEPRA. The Schedule of Tariff may indicate the cross-subsidy and/or inter-SoLR subsidy, if any, for the respective class of consumers.
- 7.3. The determination of the Authority along with relevant Annexes, if any, shall be intimated to the Government of Pakistan for filing of uniform tariff application in terms of relevant provisions of NEPRA Act. The Schedule of Tariff, once notified, shall remain effective until superseded by the new Schedule of Tariff notified.
- 7.4. Schedule of Tariff may contain readily identifiable a rate structure, customer classes, cross-subsidies, if any, and the inter-SoLR subsidy, if any. The Schedule of Tariff may be subject to periodic review as provided therein.
- 7.5. The determination of the Authority to be notified will contain all the directions issued by NEPRA to be implemented by the SoLR.

PART 8

8. TARIFF METHODOLOGY

Intent of the Tariff Methodology

- 5.25. The Petitioner would be granted an annual or multi-year tariff that provides an opportunity to the Petitioner to recover the NEPRA approved Revenue Requirement based on allowed regulatory targets.
- 8.1. The annual or multi-year tariff should contain proper economic signals, wherever possible..

Schedule of Tariff Design and Structure

- 8.2. The Petitioner shall be required to design an annual or multi-year tariff in accordance with Section 31 of NEPRA Act and other applicable documents. The Petitioner shall be required to pursue the gradual elimination of the cross subsidies.
- 8.3. An annual or multi-year tariff may have a cost-of-service study as its basis for tariff/rate design.

Under / Over Recovery Procedures

- 8.4. Under-recovery or over-recovery of the allowed revenue requirement based on determined regulatory targets during the previous year shall be accounted for going forward during the current year under the head of prior year adjustment. This may also include impact of delayed notifications, Sales Mix and impact of under/over investments, if any.

Multiyear Tariff Methodology

- 8.5. A multi-year tariff has the potential to yield more predictable rate levels over time. A multi-year tariff may be less volatile and subject to fewer intra-period adjustments. The objectives of the Multiyear Tariff may be as under:
- (i) To increase the stability and predictability of the future revenue streams of the licensed and registered entities.
 - (ii) Allow and promote better planning of investment and financing needs, and strategic decision making.
 - (iii) To minimize the risks and costs of regulatory assessments by the Authority
 - (iv) Allows to bring efficiency in operation and maintenance expenses.

Part 9

9. FILING REQUIREMENTS FOR THE UNIFORM TARIFF

- 9.1. As per section 31 of NEPRA Act (Amendment 2018), the Authority shall, on the basis of uniform tariff application, determine a uniform tariff for public sector licensees, engaged in supply of electric power to consumers, in the consumer's interest, on the basis of their consolidated accounts. The, "consolidated accounts" as per the amended Act means the consolidated revenue requirement of public sector licensees, engaged in supply of electric power to consumers, complied by the uniform tariff applicant, on the basis of individual tariff determined by the Authority of such licensees;]
- 9.2. Further, National Electricity Policy 2021 (NE Policy) under clause 5.6.3 states that; in view of various parameters, including (a) the socio-economic objectives; (b) budgetary targets in field; and (c) recommendations of the Regulator with respect to consumer-end tariff for each state-owned XWDISCO, the Government may continue to propose uniform tariff across the consumers and regions. In pursuance thereto, the NE Policy establishes that the Regulator shall, in public consumer interest, determine a uniform tariff (inclusive of quarterly adjustments) for all the state-owned XWDISCOs. Additionally, Government may maintain a uniform consumer-end tariff for K-Electric and XWDISCOs (even after privatization) through incorporation of direct / indirect subsidies.
- 9.3. As per NEPRA Act, uniform tariff applicant, means any entity designated by the concerned Minister in Charge for the purposes of filing uniform tariff application based on consolidated accounts. and

- 9.4. Similarly, uniform tariff application as per the Act means an application filed by the uniform tariff applicant for the purposes of determination, modification and revision of the uniform tariff.
- 9.5. The consolidated accounts as per Act means the consolidated revenue requirement of public sector licensees, engaged in supply of electric power to consumers, complied by the uniform tariff applicant, on the basis of individual tariff determined by the Authority of such licensees;
- 5.26. In light of above the provisions of NEPRA Act, any entity designated by the concerned Minister in Charge for the purposes of filling uniform tariff shall file the uniform tariff application with NEPRA for determination of the uniform tariff as per provisions of NEPRA Act and other applicable documents. Such application shall be accompanied with the consolidated accounts of the SoLRs and such other information as required in the applicable documents or specified by the Authority.
10. The Application for uniform tariff should take into account government subsidies, inter-disco tariff rationalization, as well as surcharges, in line with the principles of National Electricity Policy, National Electricity Plan and guidelines issued by the Federal Government, *inter alia*, to ensure that a uniform tariff is maintained for all consumers of the suppliers of last resort. Here it is pertinent to mention that inter disco tariff rationalization shall not be aimed for raising any revenues for the Federal Government and it should be within the determined consolidated revenue requirement of SOLRs.
11. Based on the uniform tariff application, the Authority shall determine a uniform tariff as per provision of NEPRA Act, the application for uniform tariffs and government policies, and other applicable documents.
12. Notification of the Authority's approved uniform tariff, rates, charges, and other terms and conditions for the supply of electric power services shall be made, in the official Gazette, by the Federal Government within thirty days of intimation of the same by the Authority. In the event the Federal Government falls to notify the tariff so determined by the Authority, or refer the matter to the Authority for reconsideration, within the time period specified, then the Authority may direct immediate application of the uniform tariff, by way of notification of the same, subject to adjustment which may arise on account of reconsideration, if any, subsequently filed by the Federal Government:
13. Once notified the uniform tariff shall be charged to the consumers of applicable SoLRs till the time the same is superseded by the subsequent notification.

Transfer Price Mechanism

The Power Purchase Price (PPP) will be transferred to the SoLR according to the following Transfer Price Mechanism (TPM) as prescribed by the Authority and amended from time to time as per the applicable documents.

$$TP = TC + TUoSC + MOF + ISMOF + IAAF \text{ etc.}$$

Where:

$$TP = \text{Transfer price in PKR}$$

$$TC = \text{Transfer Charges for generation cost of the basket pool of contracts (administered by CPPA G) + Cost of Bilateral contracts of the SoLR (to be included in individual basket of the SOLR)}$$

$$TUoSC = \text{Use of System Charges of Transmission in PKR}$$

MOF is the market operator fee as determined by the Authority and applicable to the SoLR.

ISMOF is the Integrated system operator market operator fee as determined by the Authority and allocated to SoLR.

IAAF is, when independent auctions are implemented, the Independent Auction Administrator fee as determined by the Authority and applicable to the SoLR.

Other tariffs/ fees/ charges determined by NEPRA applicable for the relevant Supplier of last resort may be added to the Transfer Price.

Transfer charges for Generation/power procurement:

The Transfer Charges for generation is applied on the SoLR for recovery of cost for procuring power (energy and capacity) from Generation Companies in accordance with applicable power purchase contracts.

$$TC = CTC + ETC$$

Where

$$TC = \text{Transfer Charges in PKR}$$

$$CTC = \text{Capacity Transfer Charge (in PKR) in basket pool contracts signed on behalf of XWDISCOs + Cost of Bilateral contracts of the SoLR (to be included in individual basket of the SOLR)}$$

ETC = Energy Transfer Charge (in PKR), in basket pool contracts signed on behalf of XWDISCOs + Cost of Bilateral contracts of the SoLR (*to be included in individual basket of the SOLR*)

A Transfer Rate (TR), applicable to the Monthly Maximum Demand (MDI) and consumption of energy of the SoLR, applies to the above charges as follows:

ETR = Energy Transfer Rate to SoLR in PKR per kWh per Month + Cost of Bilateral contracts (*to be included in individual basket of SOLR*)

CTR = Capacity Transfer Rate to SoLR in PKR per kW (MDI) per Month + Cost of Bilateral contracts (*to be included in individual basket of SOLR*)

CPPA-G/SPA shall use the Authority-approved mechanism for calculating monthly values of TR. The Transfer Rates for a month shall be used to calculate CTC and ETC as follows:

For generation capacity:

CTC = CTR x MDI Market Participant Representing Demand

CTR = $\frac{\text{CpGenCap} - \text{LD}}{\text{SUM OF MDs of all SoLRs}}$

CpGenCap = For applicable contracts, Generation Companies Cost for capacity component of contract price for a billing month in PKR

LD = Liquidated damages payment by generation companies in PKR

MD = Monthly Demand of SoLRs in billing month

For Energy:

ETC = ETC1 + ETC2

ETC1 = Energy Transfer Charge that is chargeable to GST

ETC2 = Energy Transfer Charge that is not chargeable to GST

ETC1 = ETR1 x SoLR

ETC2 = ETR2 x SoLR

ETR = $\frac{\text{CpGenEn}}{\text{EUs}}$

Where:

CPGenEn = For applicable contracts, Generation companies cost for Energy component of electrical power generation in the contract for a billing month in PKR (subject to deduction of Total Export Energy Payments payable by the generation companies for the energy imported)

EUs = Energy Units recorded at CDPs of SoLR during the billing month in kWh

For
transmission:

TUoSC = USCF + USCV

USCF = Transmission Fixed Use of System Charges

USCV = Transmission Variable Use of System Charges

MOF is the market operator fee as determined by the Authority and applicable to SoLR.

SOF is the system operator fee as determined by the Authority and applicable to SoLR.

IAAF is, when independent auctions are implemented, the Independent Auction Administrator fee as determined by the Authority and applicable to SoLR.

Other tariffs and fees determined by NEPRA and applicable for the relevant supplier of last resort may be added.

In addition to above Energy and Capacity charges for bilateral contract to be included in individual basket of the SOLR.

Annex-II

Fuel Price adjustment

In terms of proviso (iv) to section 31(7) of the Act 1997, the Authority is required to make adjustments in approved tariff on account of fuel price within a period of seven days on monthly basis as mentioned hereunder;

"Provided that the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue and notify' the tariff so adjusted in the official Gazette."

The time line as per above clause is only directory in nature, therefore, any additional time period required by the Authority to carry out its proper due diligence of the adjustment request, shall not entail any cost.

Mechanism for Monthly Fuel Charges Adjustment

Actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula:

$$\text{Fuel Price variation} = \frac{\text{Actual Fuel Cost Component} - \text{Reference Fuel Cost Component}}{\text{Reference Fuel Cost Component}}$$

Where:

- ✓ Fuel Price variation is the difference between actual and reference fuel cost component
- ✓ Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by CPPA (G) or any other entity as designated in a particular month.
- ✓ Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out on the basis of consumption by the consumer in the respective month.

Actual Fuel Cost Component

The actual fuel cost component for that particular month is worked out by dividing actual fuel cost of all power plants which were actually operated as part of National pool, by their total generation, including impact of any previous adjustments.

Any increase or decrease in the approved tariff i.e. reference fuel cost component, owing to variation in fuel prices and generation mix is determined by the Authority on monthly basis and the same is charged in the monthly bills of consumers.

Annex-III

Quarterly Adjustment Mechanism

Quarterly adjustment shall apply for the Actual variation in Power Purchase Price (PPP), excluding Fuel Cost Component, against the reference Power Purchase Price component and the impact of T&D losses on the monthly fuel charges adjustment, for the corresponding months and shall be determined according to the following formula;

$$\text{Quarterly PPP}_{(\text{Adj})} = \frac{\text{PPP}_{(\text{Actual})} (\text{excluding Fuel charges}) - \text{PPP}_{(\text{Recovered})} (\text{excluding Fuel charges})}{\text{Reference PPP}_{(\text{excl. fuel})}}$$

Where;

PPP_(Actual) is the actual cost, excluding Fuel cost, invoiced by CPPA-G to XWDISCOs, adjusted for any cost disallowed by the Authority.

PPP_(Recovered) is the amount recovered based on reference rate in Rs./kWh, excluding fuel cost, as per the Annex-IV of the XWDISCOs determination that remained notified during the period.

Impact of T&D losses on FCA

$$= \text{Monthly FCA allowed}_{(\text{Rs./kWh})} \times \text{Actual units Purchase} \times \% \text{ T\&D losses}$$

Where;

Monthly FCA allowed _(Rs./kWh) is the FCA allowed by the Authority for the respective months of the concerned period.

T&D Loss % is percentage of T&D losses that remained notified during the period.

The sum of amounts so worked for each month of the Quarter shall be divided by the Projected units to be sold as determined by the Authority to work out Rs./kWh Quarterly adjustment.

Annexure-IV

Regulatory Asset Base

Description	Rupees in Million	
	FY ----- Actual	FY ----- Forward Looking
Opening fixed assets in operation (cost basis)		
Assets Transferred during the year		
Closing Fixed Assets in Operation		
Less: Accumulated Depreciation		
Net Fixed Assets in operation		
+ Capital Work in Progress (Closing net off Interest during construction, if any)		
Total Fixed Assets		
Less: Deferred Credit (including receipt against deposit works)		
Less: impact of investment, not allowed by the Authority		
Total		
Average Regulatory Assets Base		

RORB Adjustment

RORB adjustment will be made in accordance with the following formula/mechanism:

$$RORB_{(Rev)} = RORB_{(Ref)} \times \frac{RAB_{(Rev)}}{RAB_{(Ref)}}$$

Where:

$RORB_{(Rev)}$	=	Revised Return on Rate Base for the Current Year
$RORB_{(Ref)}$	=	Reference Return on Rate Base for the Reference Year
$RAB_{(Rev)}$	=	Revised Rate Base for the Current Year
$RAB_{(Ref)}$	=	Reference Rate Base for the Reference Year

In addition the allowed RORB for previous year will be trued up based one actual investment (maximum cap to the extent of allowed investment) carried out during that year. Further KIBOR fluctuation may also be subject to adjustment.

Adjustment Mechanism - Salaries, Wages & Other Benefits	
Revised Salaries, Wages & Other Benefits Expenses	= Ref. Salaries, Wages & Other Benefits x [1+(GoP Increase or CPI or any other adjustment factor)]
Test year Salaries, Wages & Other Benefits may be considered as reference cost for future adjustment.	
The Authority may consider to allow GoP increase till the time the SOLR remain in public sector, otherwise CPI indexation or any other adjustment factor may allowed if SOLR get privatized. Such adjustment factor shall be decided in tariff determination.	

Other expenses including Travel, Transportation and other Misc. Expenses

These expenses part of Supply Business shall be indexed with CPI subject to adjustment for efficiency gains (X factor). Accordingly the O&M will be indexed every year according to the following formula:

$$O \& M_{(Rev)} = O \& M_{(Ref)} \times [1 + (\Delta CPI - X)]$$

Where:

$O \& M_{(Rev)}$	=	Revised O&M Expense for the Current Year
$O \& M_{(Ref)}$	=	Reference O&M Expense for the Reference Year
ΔCPI	=	Change in Consumer Price Index published by Pakistan Bureau of Statistics.
X	=	Efficiency factor

Depreciation Expense

Depreciation expense for the current year will be assessed in accordance with the following formula/mechanism:

$$DEP_{(Rev)} = DEP_{(Ref)} \times \frac{GFAIO_{(Rev)}}{GFAIO_{(Ref)}}$$

Where:

DEP _(Rev)	=	Revised Depreciation Expense for the Current Year
DEP _(Ref)	=	Reference Depreciation Expense for the Reference Year
GFAIO _(Rev)	=	Revised Gross Fixed Assets in Operation for the Current Year
GFAIO _(Ref)	=	Reference Gross Fixed Assets in Operation for the Reference Year

In addition the allowed Depreciation for previous year will be trued up based one actual investment (maximum cap to the extent of allowed investment) carried out during that year.

Other Income

Other income for the current year will be assessed in accordance with the following formula/mechanism:

$$OI_{(Rev)} = OI_{(1)} + (OI_{(1)} - OI_{(0)})$$

Where:

OI _(Rev)	=	Revised Other Income for the Current Year
OI ₍₁₎	=	Actual Other Income as per latest Financial Statements.
OI ₍₀₎	=	Actual/Assessed Other Income used in the previous year.